

Message Text

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SUBJECT: BALANCE OF PAYMENTS

REF: STATE 199613

GUATEMALA PASS ROCAP

1. MUCH OF DATA COMPRISING PANAMANIAN BALANCE OF PAYMENTS IS
NOT YET AVAILABLE FOR FIRST HALF OF 1975. TABLE BELOW GIVES
DATA FOR PAST THREE YEARS PLUS WHAT IS AVAILABLE FOR FIRST
HALF OF 1975 (PRELIMINARY ESTIMATES), ALL FROM OFFICE OF
COMPTROLLER GENERAL, PLUS ESTIMATE FOR ALL OF 1975 BASED ON
UNPUBLISHED MINISTRY OF PLANNING PROJECTIONS.

2. BALANCE OF PAYMENTS
MILLIONS OF BALBOAS
JAN-JUN PROJECT

ED

1972 1973 1974 1975 (E) 1975

I. TOTAL EXPORTS OF GOODS 496.8 553.2 977.2 NA 1075

AND SERVICES

A. GOODS	146.2	159.5	247.1	149	300
1. PETROLEUM PRODUCTS	21.4	24.4	86.3	60	115
2. BANANAS	64.7	63.8	49.5	31	60

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3. SUGAR 5.8 8.6 27.6 43 55

4. SHRIMP 14.6 16.7 15.1 7 14
B. SERVICES 350.6 393.7 730.1 NA 775
1. SHIP BUNKERING 45.1 46.4 128.3 73 160
2. CANAL ZONE 129.1 138.4 146.0 NA 150
3. FACTOR PAYMENTS 41.1 52.8 257.0 NA 250
4. TRAVEL 43.8 52.1 80.4 NA 85

II. TOTAL IMPORTS OF GOODS 599.3 681.4 1239.2 NA 1300

AND SERVICES

A. GOODS 408.0 455.4 735.9 387 800
PETROLEUM 68.1 91.7 277.5 170 322
B. SERVICES 191.3 226.0 503.3 NA 500
FACTOR PAYMENTS 74.5 97.6 347.6 NA 350

III. NET TRANSFER PAYMENTS 4.6 0.4 2.3 NA 0

IV. BALANCE ON CURRENT -97.9 -127.8 -259.6 NA -225

ACCOUNT

V. NET CAPITAL ACCOUNT

PRIVATE AND 72.6 8.6 17.6 NA O&

AUTONOMOUS AGENCIES

CENTRAL GOVERNMENT 39.9 82.5 61.7 NA 150&&

BANKING SYSTEM 59.3 115.6 237.3 NA 125

ERRORS AND OMISSIONS -73.9 -78.9 -56.9 NA -50

ONE BALBOA EQUALS ONE DOLLAR

NA - NOT AVAILABLE

& - PRIVATE SECTOR ONLY

&& - PUBLIC SECTOR

3. MAJOR FACTOR IN PROJECTION OF REDUCED CURRENT ACCOUNT DEFICIT FOR 1975 IS CONTINUED REASONABLY STRONG GROWTH IN COMMODITY EXPORTS, COUPLED WITH SHARPLY CURTAILED GROWTH IN COMMODITY IMPORTS. FOLLOWING REFINERY EXPANSION COMPLETED LAST YEAR, GROSS VALUE OF REFINED PETROLEUM PRODUCTS SHIPPED AS EXPORTS AND SUPPLIED FOR BUNKERING SHIPS HAS INCREASED CONSIDERABLY. THE VALUE OF EXPANDED SUGAR SHIPMENTS WILL BE MORE THAN DOUBLE THAT OF LAST YEAR, AND BANANA EXPORTS WILL ALSO BE UP. CURB ON IMPORT GROWTH IS RESULT PRIMARILY OF ECONOMIC SLUMP AND CONCURRENT MORE RESTRICTIVE CREDIT POLICY OF LOCAL BANKS. VERY LARGE INCREASE IN FACTOR PAYMENTS REGISTERED LAST YEAR IS BANKING SYSTEM ON GREATLY EXPANDED FOREIGN DEPOSITS AND OFFSHORE LOANS. WITH THIS RATE OF EXPANSION NOW LIMITED OFFICIAL USE

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MUCH REDUCED, AND INTEREST RATES BELOW 1974 AVERAGE, FACTOR PAYMENTS PROJECTED AT ABOUT SAME LEVEL AS LAST YEAR.

4. BALANCE OF PAYMENTS "PROBLEMS" ARE NOT AS RELEVANT FOR PANAMA AS NORMALLY THE CASE BECAUSE OF UNIQUE MONETARY SYSTEM PREVAILING HERE, WITH US DOLLAR USED AS DE FACTO CURRENCY AND A BANKING SYSTEM WITH LARGE INTER-

NATIONAL AS WELL AS DOMESTIC OPERATIONS BUT NO CENTRAL BANK. PANAMA'S ABILITY TO MAKE PAYMENTS ABROAD IS NOT TIED DIRECTLY TO NEED FOR MAINTAINING A FOREIGN EXCHANGE FUND, AND DEFINITION OF WHAT CONSTITUTES RESERVES IN CONVENTIONAL SENSE PRESENTS CONCEPTUAL PROBLEMS (E.G., FOR PANAMA TABLES IN PUBLICATION "INTERNATIONAL FINANCIAL STATISTICS," IMF SINCE MAY 1975 HAS COUNTED ONLY FOREIGN ASSETS OF GOVERNMENT BANKS -- \$39.4 MILLION END OF 1974 -- AS "INTERNATIONAL RESERVES" RATHER THAN FOREIGN ASSETS OF BOTH GOVERNMENT AND PRIVATE BANKS -- \$4.8 BILLION -- AS PREVIOUSLY). NEVERTHELESS, CURRENT ACCOUNT DEFICIT MUST BE FINANCED IN ANY CASE, AND ITS REDUCTION (AND STABILIZATION OF TRADE DEFICIT) WOULD BE WELCOME SIGN FOR PANAMANIAN ECONOMY. PRINCIPAL SOURCE OF FINANCING FOR DEFICITS OVER PAST SEVERAL YEARS HAS BEEN NET INFLOWS OF SHORT AND MEDIUM TERM CAPITAL THROUGH RAPIDLY EXPANDING INTERNATIONAL BANKING SECTOR. PLANNING MINISTRY HAS RECENTLY REDUCED PROJECTED TOTAL OF THIS NET INFLOW FOR 1975 IN VIEW OF DROP IN EXPANSION RATE OF BANKING SYSTEM AND HAS CORRESPONDINGLY RAISED PROJECTED AMOUNT TO BE FINANCED THROUGH NET FOREIGN BORROWINGS OF PUBLIC SECTOR. EXTERNAL DEBT OF CENTRAL GOVERNMENT INCREASED BY \$44 MILLION DURING FIRST SEVEN MONTHS OF 1975; TOTAL FOREIGN BORROWINGS OF AUTONOMOUS AGENCIES DURING THIS PERIOD NOT AVAILABLE, BUT ESTIMATED TO HAVE BEEN FAIRLY HEAVY, IN RANGE OF \$20-30 MILLION. PROJECTION ALSO REFLECTS CURRENT STAGNATION OF PRIVATE FOREIGN INVESTMENT.

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